

EUROPEAN COMMISSION CONFERENCE ON
PRIVATE EQUITY AND HEDGE FUNDS

VENUE: THE NATIONAL BANK OF BELGIUM
RUE MONTAGNE AUX HERBES POTAGERES, 61, 1000 BRUSSELS
26TH & 27TH FEBRUARY 2009

THURSDAY, 26TH FEBRUARY 2009

OPENING REMARKS:

**14.00-14.15 CHARLIE MCCREEVY, COMMISSIONER, INTERNAL MARKET AND SERVICES,
EUROPEAN COMMISSION**

**14.15-14.30 POUL NYRUP RASMUSSEN, MEMBER OF THE EUROPEAN PARLIAMENT, PRESIDENT
OF THE PARTY OF EUROPEAN SOCIALISTS**

PRIVATE EQUITY

Private equity investment represents an important source of capital for European corporates, both through venture capital and large buy-outs or public-to-private deals. These activities are not generally considered to pose risks to the stability of financial markets, yet some private equity deals have attracted controversy and raise important questions about the impact of this type of investment on the social economy and on the relationship between private equity managers and key stakeholders. Is the pursuit of investment returns compatible with the long-term health of portfolio companies? Do stakeholders – notably employees, investors, regulators and the public at large – have the information and tools they need to safeguard their own interests? The first panel will consider whether there is substance to these concerns. The second panel will look at how the industry has responded: are self-regulatory codes an adequate response to stakeholder concerns? How can they be enhanced? Is there need for greater co-ordination at European level?

**14:30-14.50. STATEMENT BY SIR MICHAEL RAKE, BRITISH TELECOM AND CHAIRMAN OF THE
(WALKER GUIDELINES) COMPLIANCE MONITORING GROUP: OVERVIEW OF THE CURRENT
STATUS AND IMPLEMENTATION OF PRIVATE EQUITY INDUSTRY CODES**

**14:50-16.00. Panel 1: Private equity business models: What are the positive and negative
impacts on markets and stakeholders? What are the public policy issues?**

In what ways can private equity investment contribute to the growth of the European economy? Under what circumstances does it pose a threat? How important is leverage as a driver of private equity returns? Is it managed responsibly? Do the governance structures of portfolio companies allow for effective stakeholder involvement? In particular, does the flow of information between private

equity firms and key stakeholders need to be improved: what do employees, investors and the general public need to know and do they receive this information when they need it?

Overview of recent developments and issues in private equity: Prof. Nick Bacon, Nottingham University Business School and Prof. Michael Wright, Director Centre for Management Buyout Research, Nottingham University Business School.

Moderator: Ms Amanda Harvie, independent consultant and former Chief Executive of Scottish Financial Enterprise

Panellists:

- Mr Reiner Hoffmann, Deputy General Secretary, European Trade Union Confederation (ETUC);
- Mr Kurt J. Lauk, Member of the European Parliament;
- Mr Jens Lundager, Deputy Permanent Secretary, Economic Affairs, Danish Ministry of Economic and Business Affairs
- Mr Magnus Lundberg, CEO, Phadia;
- Mr Jonathan Russell, Chairman, European Private Equity & Venture Capital Association (EVCA), 3i Managing Partner Buyouts;
- Mr Jan Ståhlberg, Deputy CEO, EQT ;

COFFEE BREAK : 16:00– 16:30

16.30-17.30. Panel 2: Do self-regulatory codes and national regulatory provisions address the challenges? Is EU legislative action needed?

How have regulators and the private equity industry responded to the challenges facing the private equity business model? Where is progress needed and who is best positioned to deliver it? Can self-regulatory codes respond effectively to all relevant concerns? Are stakeholder views being adequately taken into account in their development? How can greater order be brought to the plethora of codes currently co-existing in Europe and internationally? How could a legislative or regulatory response improve outcomes in this sector?

Introduction to panel: Preliminary assessment of coverage and impact of national regulation and self regulatory codes

Moderator: Ms Anne Simpson, Executive Director, International Corporate Governance Network

Panellists:

- Prof. Dr. Dr. Ann-Kristin Achleitner, Co-Director of Center for Entrepreneurial and Financial Studies, Technische Universität München;
- Mr Wim Borgdorff, Managing Partner, Fund Investments, AlpInvest Partners ;

- Mr Simon Cox, European Works Council Coordinator, European Federation of Food, Agriculture and Tourism Trade Unions (EFFAT);
- Mr Matthew Fann, Associate, UK Financial Services Authority (FSA);
- Mr Vincenzo Morelli, Partner at TPG Capital LLP, Chairman of the European Liaison Group of global buyout firms ;
- Ms H el ene Ploix, Chairman, Pechel Industries.

**17.30-17.50: MR JEAN-PIERRE JOUYET, PR ESIDENT, AUTORIT  DES MARCH S FINANCIERS:
AMF PERSPECTIVES ON THE NEED FOR AND FORM OF AN EU APPROACH TO THE REGULATION
AND OVERSIGHT OF PRIVATE EQUITY AND HEDGE FUNDS**

FRIDAY, 27TH FEBRUARY 2009

HEDGE FUNDS

Hedge funds have grown to become prominent actors in global financial markets and cannot be overlooked in a comprehensive assessment of vulnerabilities in the financial system. Recent market convulsions have had a severe impact on many hedge fund business models, exacerbated by tight credit conditions and a generalised loss of investor confidence. But to what extent have these pressures spilled over to the wider financial system? Are regulators suitably equipped to monitor these risks and to respond accordingly? This is the subject of the first panel.

To the extent that hedge fund activities do impact on the system at large, the robustness of their internal risk management and the transparency of their activities become of interest not only to their investors but to all market participants. The second panel will consider where the risk management challenges lie in the hedge fund industry and whether hedge fund investors are adequately served by the information they receive. Finally, the third panel will explore how the industry and global regulators have responded to the challenges facing a highly globalised industry.

09.00-09.30. STATEMENT BY MR ANTONIO BORGES, CHAIRMAN, HEDGE FUND STANDARDS BOARD: RECENT DEVELOPMENTS, VIEWED FROM THE MARKETPLACE

09.30-11.00. Panel 1: Hedge Funds, Financial Stability and Market Integrity: where are the vulnerabilities?

What impact does hedge fund activity have on the stability and efficiency of the financial system? To what extent has the extensive use of leverage in the hedge fund sector and the subsequent process of deleveraging exacerbated the recent market turmoil? Do regulators have the tools and the information they require to monitor these risks and to react as appropriate? Can hedge fund strategies undermine the integrity of financial markets, for example through the use of short-selling? In what ways are hedge fund activities different from those of other financial market actors in this respect?

09.30-09.45. Speech by Mr Aerdts Houben, Director Financial Stability Division, De Nederlandsche Bank

Moderator: Prof. Jon Danielsson, London School of Economics

Panellists:

- Mr Segun Aganga, Managing Director and Head of Hedge Fund Consulting, Goldman Sachs Prime Brokerage, Europe and Asia;
- Mr Christopher Fawcett, Former chairman, Alternative Investment Management Association (AIMA) and Managing Partner of Fauchier Partners (FoHF);
- Mr Aerdts Houben, Director Financial Stability Division, De Nederlandsche Bank;
- Mr Dietrich Jahn, Deputy Director General, International Financial and Monetary Policies, Federal Ministry of Finance, Germany;
- Mr Gareth Murphy, Senior Advisor, Bank of England.

COFFEE BREAK : 11:00– 11:30

11.30-13.00. Panel 2: Management of Micro-Prudential Risks & Transparency Towards investors

What are the key risk management challenges facing the hedge fund industry? How have existing risk-management models stood up to the stern examination of the financial crisis, in particular the illiquidity of many asset markets? Are hedge funds sufficiently transparent to allow investors to scrutinise internal processes and to manage their investments effectively and responsibly? Where are the weaknesses and what is being done to rectify them?

Introductory remarks: Mr Jean-René Giraud, Director of development , EDHEC Risk & Asset Management Research Centre: Do hedge fund risk-management and investor disclosures need to be reviewed in the light of recent experience?

Moderator: Mr Peter de Proft, Director General, European Fund and Asset Management Association (EFAMA)

Panellists:

- Ms Carin Bryans, Managing Director, J. P. Morgan Bank (Ireland) plc;
- Mr Grellan O'Kelly, Derivatives and Complex Product Policy Specialist, Irish Financial Services Regulatory Authority;
- Mr Dirk Söhnholz, Managing Director, Feri Institutional Advisors GmbH, Co-Chairman of Bundesverband Alternative Investments e.V. (BAI);
- Mr Johan van der Ende, Chief Investment Officer, PGGM Investments (Netherlands) and EFRP representative
- Prof. Erik Vermeulen, Member of the Legal Committee of European Issuers, Corporate lawyer at Philips International BV, Professor at the University of Tilbury.

LUNCH : 13:00– 14:30

14:30– 15:45. Panel 3: International Regulatory and self-regulatory responses to hedge funds: is there an emerging consensus on the way forward?

What is being done by the hedge fund industry and international regulators to respond to emerging policy concerns? How is the global nature of the hedge fund industry reflected in international regulatory and self-regulatory responses? Is there convergence in views on the industry? What are the barriers to effective international co-operation? Does the off-shore domiciliation of many hedge funds represent a significant barrier to the effective oversight of their activities?

Moderator: Mr Eddy Wymeersch, Chairman, CESR.

Panellists:

- Mr David Banks, Director, Securities, Jersey Financial Services Commission ;
- Mr. Thomas Biolsi, Associate Regional (NY) Director, Investment Advisers and Investment Companies, US Securities and Exchanges Commission;
- Mr John G. Gaine, President Emeritus and Special Counsel, International Affairs, Managed Funds Association (US MFA);
- Ms Nicoletta Giusto, Director of International Relations, CONSOB ;
- Mr Jiri Krol, Director, Financial Markets Analysis and Development, Ministry of Finance of the Czech Republic ;
- Ms Florence Lombard, Executive Director, Alternative Investment Management Association (AIMA) ;
- Mr Dan Waters, Director Asset Management, UK Financial Services Authority (FSA).

15:45– 16:10. Closing speech: Mr Douglas Shaw, Managing Director, Proprietary Alpha Strategies, BlackRock.